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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 23, 1998

APPLICATION OF

THE POTOMAC EDISON COMPANY

CASE NO. PUE980049

To revise its fuel factor

ORDER ESTABLISHING 1998-99 FUEL FACTOR PROCEEDING

On January 16, 1998, The Potomac Edison Company ("Potomac Edison") d/b/a Allegheny Power ("AP" or "Company") filed with the Commission written testimony, exhibits, and proposed tariffs intended to increase its zero-based fuel factor effective with March, 1998 cycle bills rendered on and after March 9, 1998. The Company requests that its present fuel factor of 1.181¢ per kWh be replaced by an average zero-based fuel factor of 1.278¢ per kWh. The Company is proposing a levelized fuel rate of \$0.01278 per kWh on all kWhs billed under the following Rate Schedules: "R", "C", "G", "PH", "PP", "OL", "AL", "MSL", "SL", and "AGS". In its application, the Company also requests revision of its cogeneration rate tariffs. A new and separate procedural schedule for this request will follow. Accordingly,

IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUE980049.

(2) A hearing is hereby scheduled for 10:00 a.m. on Wednesday, February 25, 1998, in the Commission's Second Floor Courtroom for the purpose of receiving evidence related to the establishment of Potomac Edison's fuel factor for the twelve-month period commencing March 9, 1998, pursuant to Virginia Code § 56-249.6.

(3) Potomac Edison forthwith make copies of its application and prefiled testimony and exhibits available for public inspection during regular business hours at all company offices in Virginia where customer bills may be paid.

(4) On or before February 6, 1998, any person desiring to participate as a Protestant, as defined in the Commission's Rules of Practice and Procedure ("S.C.C. Rules") Rule 4:6 shall file with the Clerk, Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, an original and twenty (20) copies of a notice of protest as provided in S.C.C. Rule 5:16(a) and serve a copy on Potomac Edison (service upon Potomac Edison shall be directed to Philip J. Bray, Esquire, The Potomac Edison Company, 10435 Downsville Pike, Hagerstown, Maryland 21704).

(5) On or before February 11, 1998, each Protestant shall file an original and twenty (20) copies of a Protest (S.C.C. Rule 5:16(b)) and of the prepared testimony and exhibits Protestant intends to present at the hearing, and serve two (2) copies of each on Potomac Edison and all other Protestants.

(6) On or before February 16, 1998, the Commission Staff shall investigate the reasonableness of Potomac Edison's estimated costs and proposed fuel factor and file testimony with the Clerk, sending a copy to Potomac Edison and each Protestant.

(7) On or before February 21, 1998, Potomac Edison shall file an original and twenty (20) copies of all testimony it expects to introduce in rebuttal to all direct prefiled testimony and exhibits. Additional rebuttal evidence may be presented without prefiling, provided it is in response to evidence which was not prefiled but elicited at the time of hearing and, provided further the need for additional rebuttal evidence is timely addressed by motion during the hearing and leave to present said evidence is granted by the Commission. A copy of the prefiled rebuttal evidence shall be served upon all other Protestants.

(8) The Company shall respond to written interrogatories within five (5) days after receipt of same. Protestants shall respond to the written interrogatories of the Company, other Protestants and Staff within five (5) days after receipt of same. Protestants shall provide the Company, other Protestants, and Staff with any work papers or documents used in preparation of their filed testimony promptly upon request. Except as modified above, discovery shall be in accordance with Part VI of the SCC Rules.

(9) On or before February 2, 1998, Potomac Edison shall cause a copy of the following notice to be published as display advertising (not classified), once a week for two consecutive weeks in newspapers of general circulation throughout its service territory:

NOTICE TO THE PUBLIC OF THE
1998-99 FUEL FACTOR PROCEEDING
FOR THE POTOMAC EDISON COMPANY

On January 16, 1998, The Potomac Edison Company ("Potomac Edison") d/b/a Allegheny Power ("AP" or "Company") filed an application with the State Corporation Commission for an increase in its fuel factor effective with March, 1998 cycle bills rendered on and after March 9, 1998. The Company requests that its present fuel factor of 1.181¢ per kWh be replaced by an average zero-based fuel factor of 1.278¢ per kWh. The Company is proposing a levelized fuel rate of \$0.01278 per kWh on all kWhs billed under the following Rate Schedules: "R", "C", "G", "PH", "PP", "OL", "AL", "MSL", "SL", and "AGS". In its application, the Company also requests revision of its cogeneration rate tariffs. A new and separate procedural schedule for this request will follow.

Pursuant to Virginia Code § 56-249.6, the Commission has scheduled a public hearing to commence at 10:00 a.m., on Wednesday, February 25, 1998, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia, for the purpose of receiving evidence related to the establishment of Potomac Edison's fuel factor.

All testimony, exhibits, and other data filed by Potomac Edison will be available for public inspection at all of the Company's offices in Virginia where bills may be paid, and at the Commission's Document Control Center, First Floor, Tyler Building, Richmond, Virginia.

Any interested person (public witness) desiring to make a statement at the hearing should appear in the Commission's courtroom at 9:45 a.m. on the hearing date and identify himself or herself to the bailiff.

On or before February 6, 1998, persons desiring to participate as Protestants, as defined in Rule 4:6 of the Commission's Rules of Practice and Procedure ("S.C.C. Rules"), to present evidence and cross-examine witnesses, shall file an original and twenty (20) copies of a notice of protest, as described in S.C.C. Rule 5:16(a) with the Clerk of the Commission, and serve a copy upon Potomac Edison. Service upon Potomac Edison shall be directed to Philip J. Bray, Esquire, The Potomac Edison Company, 10435 Downsville Pike, Hagerstown, Maryland 21704.

On or before February 11, 1998, each Protestant shall file an original and twenty (20) copies of a Protest (S.C.C. Rule 5:16(b)) and an original and twenty (20) copies of the prepared testimony and exhibits Protestant intends to present at the public hearing, and serve two (2) copies each upon Potomac Edison and each Protestant. All written communications to the Commission regarding this proceeding shall identify Case No. PUE980049 and be directed to William J. Bridge, Clerk, State Corporation Commission, Document Control Center, P.O. Box 2118, Richmond, Virginia 23218.

THE POTOMAC EDISON COMPANY

(10) On or before February 2, 1998, Potomac Edison shall serve a copy of this Order on the chairman of the board of supervisors of each county (or equivalent officials in counties having alternate forms of government) in which the Company offers service, and on the mayor or manager of every city and town (or

an equivalent official in cities and towns having alternate forms of government) in which the Company offers service. Service shall be made by either personal delivery or by first-class mail to the customary place of business or the residence of the persons served.

(11) At or before the commencement of the hearing scheduled herein, Potomac Edison shall provide proof of service and notice as required in this Order.